# MARICOPA COUNTY

# 2020

Eye To The Future

*Maricopa County, Arizona*

*August, 2001*

AFFORDABLE HOUSING

# ACKNOWLEDGEMENTS

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# AFFORDABLE HOUSING

## Plan Overview

This document presents an affordable housing strategy for Maricopa County, and is included in the Land Use element of *Eye to the Future 2020,* the Maricopa County Comprehensive Plan. This document also includes the following sections:

*Introduction:* Describes the study's legislative intent and its importance to Maricopa County.

*Housing Analysis:* Examines past, present, and future housing conditions and trends at the national, state, and county level. Included in this section is an assessment of affordable housing in Maricopa County.

*Issues:* Identifies issues that either positively or negatively affect housing affordability.

*Strategies:* Discusses potential strategies that can be used to improve affordable housing opportunities.

*Goals, Objectives, and Policies:* Defines both general and specific concepts that will help Maricopa County achieve affordable housing opportunities. The goals, objectives and policies contained in this report are a result of the input provided by the numerous stakeholders that participated in this process.

*Action Plan:* Outlines strategies Maricopa County will use to implement the study's goals, objectives, and policies.

## Introduction

In 1998, the State of Arizona passed the Growing Smarter law to help ensure that local jurisdictions plan for and manage growth in a functional and efficient manner. Under this new law, Maricopa County is given the opportunity to provide several new elements in its comprehensive plan, including developing a long-range plan that addresses housing quality, variety, and affordability.

Housing is arguably one of the most important aspects of society. In a basic sense, housing provides shelter, security, and protection from the surrounding environment. Socially, because housing normally constitutes between 30% and 50% of developed land in an urban area it helps define communities, helps foster social interaction, provides a sense of place and pride, and shapes people's quality of life. Economically, housing significantly impacts the macroeconomy as a source of job and wealth creation, and as a source of revenue and expense for governments. In 1998, for example, 44%

of the nation's total wealth was contained in home equity. In addition, housing and related industries account for one-fifth of the entire gross domestic product of the United States. Housing also impacts the microeconomy since housing is usually the greatest expense and largest investment for individuals.

Because of its social and economic impacts on society, providing decent and affordable housing opportunities for citizens is often considered one of the most important issues facing communities. For Maricopa County, it is necessary to understand the impact that rapid growth will have on housing costs and how the potential lack of affordable housing may impact future socioeconomic growth, which could then have long-term negative consequences. This report is designed to help analyze and address affordable housing to help ensure the long-term prosperity of Maricopa County.

## Housing Analysis

This section examines housing trends and conditions at the national, state, and county level. Such analysis helps compare and contrast Maricopa County against conditions at the national and state level to identify potential strengths and/or deficiencies in the county's affordable housing market.

### National

*National Housing Overview*
In 1999, there were approximately 115 million housing units in the United States. Of these approximately 68% were classified as traditional single family (single family detached and attached), and 25% were classified as multifamily (2 or more units). The remaining 7% were classified as manufactured or mobile homes. More that ¾ of these units are located in metropolitan areas, the greatest percentage of which (36.3%) are located in the southern United States (Note: approximately 21% are located in western states, including Arizona).

As discussed in the following section, housing costs are an important consideration for citizens and officials at all levels. Nationwide, the typical homeowner spends approximately 19% of their income on housing, compared to renters who spend approximately 27%. These costs, however, vary according to location. For instance, housing costs are highest in the western U.S. and lowest in the south.

*National Housing Cost Analysis*
Since the early 1980's, the U.S. has experienced an almost uninterrupted level of positive economic growth. Personal income more than tripled from approximately $2.3 trillion in 1980 to approximately $7.8 trillion in 1999. Similarly, year-over-year real gross domestic product (GDP) expanded in 17 of those 19 years. Growth in income and real GDP was also reflected in the strength of the housing industry, which is often used to

measure economic conditions. Between 1980 and 1999, construction started on approximately 28.6 million housing units (approximately ¼ of which were located in western states). Paralleling the surge in housing construction, national homeownership reached an all-time high of 67.1% in the first quarter of 2000. And while new unit production has declined 8% nationwide from third quarter 1999 to third quarter 2000, due primarily to higher mortgage and interest rates, construction and permitting remains strong.

Although economic growth and prosperity is creating many benefits, there is an argument that it is paradoxically creating housing affordability problems due to rents and home prices growing at a rate faster than inflation. Indeed, based on recent Bureau of Labor Statistics data, the United States Department of Housing and Urban Development determined that nationwide affordable housing opportunities are diminishing. They base this judgement on four key findings.

- Average rents are increasing at twice the rate of inflation. In addition, average income for the poorest 20% of Americans increased at less than half the rate of rent inflation.
- Between 1991 and 1997, the total number of rental units deemed affordable fell by 372,000 units, representing a 5% decrease.
- Because of the decrease in affordable rental units, one out of every four renters from 1995 to 1997 fell below the normally used benchmark of 30% of median income.
- The gap between low income renters and the number of available units affordable to them continues to grow. For example, in 1995 the ratio of available affordable units was 44 for every 100 low income renters. By 1997, this ratio declined to 36 out of 100.

Although affordable housing can be especially problematic for low income persons, some middle income Americans are also experiencing affordability problems. For instance, in 1999 owner occupied housing prices rose nearly 2½ times faster than the overall consumer price index. This situation is even more evident in so-called high-tech markets around the country. In 7 of the 10 metropolitan areas identified as the “hottest” high-tech markets, housing prices rose more than 18% from 1995 to 1997, and a third experienced increases greater than 27%.

While it is generally assumed that housing prices appreciate faster in suburban areas than in central cities, this has not been the case over the last ten years. The United States Census Bureau reports that since 1990 home prices have increased at about the same rate in both central cities and suburbs. However, a larger percentage of very low income suburban households face worst case affordability problems than very low income central city households.

**Arizona**

*Arizona Housing Overview*
As with the nation in general, Arizona has enjoyed relatively prosperous economic conditions since the early 1990s. Unemployment has fallen from a high of 7% in 1992 to 3.7% in 2000. This places Arizona in the top half of states with the lowest unemployment rates. Strong job growth, coupled with the state's reputation for quality of life, continues to attract many new residents from other parts of the country.

Between 1990 and 1998, Arizona was one of the fastest growing states. Several statistics reflect this growth:[1]

- Arizona ranks 5th among states for total population growth
- Arizona ranks 2nd among states for percentage of population growth
- Arizona ranks 3rd among states for net domestic migration
- Arizona moved from 24th to 20th among states for total population (approximately 4.8 million)
- Arizona's population grew nearly 31%, while the nation's population grew only 9.6%

This rapid growth has created a boom in housing growth. From September, 1999 through September, 2000, approximately 48,000 permits were issued for housing units (single and multifamily). This ranks Arizona among the top 10 states in total residential permits issued (**Table 1)**. This boom also continues a strong housing trend that saw more than 370,000 new units produced statewide between 1990 and 1998.

*Arizona Housing Cost Analysis*
Rapid population growth and strong housing demand is resulting in housing price increases. Statewide, year-over-year September, 1999 to September, 2000 housing prices increased 5.7%. This placed Arizona 22nd among states for price increases, yet below the national average of 7.3%. Examining a broader five year period (1995-2000), housing prices increased 28.4%, which is similar to the national average of 28.5%. The 1999 state housing vacancy rate, often considered a gauge of competition and thus price inflation, of 1.9% for owner occupied housing is also similar to the national average of 1.6%. A 1999 rental vacancy rate of 10.6%, however, is above the national average of 7.9%, which may indicate some slack in the state rental market and, therefore, help mitigate price increases.

While housing prices in Arizona continue to increase, household income has remained relatively stable. In 1999, Arizona's median household income was $37,119 (1999 CPI adjusted dollars), which ranked 36th among all states, and was below the national average of $40,816. When compared to 1990, median household income has actually

[1] Source: United States Census Bureau

**Table 1**

**1999-2000 Housing Unit Permits**

| Rank | State | Permits Issued |
|---|---|---|
| 1 | California | 109,176 |
| 2 | Florida | 115,540 |
| 3 | Texas | 105,417 |
| 4 | North Carolina | 61,010 |
| 5 | Georgia | 72,633 |
| **6** | **Arizona** | **47,945** |
| 7 | Colorado | 40,648 |
| 8 | Illinois | 40,626 |
| 9 | Michigan | 40,267 |
| 10 | Ohio | 38,855 |

Source: U.S. Department of Housing and Urban Development

fallen from $37,251 (1999 CPI adjusted dollars), while the national average rose from $38,168.

As Arizona's median household income has decreased over the last decade, future projections show that income will continue to lag for many families. For example, in 1998 more than 655,000 households had annual incomes of less than $25,000. By 2003, this number is expected to rise approximately 7% to 700,000. Further, the deviation between housing price increases and household income increases is reflected in the number of households that could afford the median priced home. From 1980 to 1990, the percentage of households able to afford the median valued home increased from 22% to 41%. However, this percentage remained relatively stable during the

1990's, and actually fell 3% from 1998 to 1999. Over the longer term (1970-1999), median valued home affordability dropped 21%.

**Maricopa County**

*Maricopa County Housing Overview*
At 9,222 square miles, Maricopa County is one of the largest counties in the United States. It is also one of the fastest growing in terms of population. From 1990 to 1999 Maricopa County ranked first among all U.S. counties for population growth. As a result, Maricopa County is now the 4$^{th}$ largest county in the nation (**Table 2**).

As with the greater U.S. and Arizona economies, Maricopa County enjoyed relatively strong economic prosperity over the past decade. A 2.6% unemployment rate in October, 2000 ranked among the lowest in Arizona, and is below both the state average (3.7%) and the national average (4.0%). The median household income of approximately $41,000 is among the highest in Arizona, and is also higher than the national average of $37,005. However, in the unincorporated portions of Maricopa County, median household income is actually below the national average.

A prosperous economy, coupled with significant population growth, has created strong demand in Maricopa County's housing market. Year-over-year 1999 to 2000 the Phoenix-Mesa metropolitan area—which contained most of Maricopa County's growth—ranked second among the fifty most active residential metropolitan areas for total number of authorized residential building permits (**Table 3**). Although economic conditions will help dictate the pace of future housing growth, builders expect to see lower, but still strong housing production over the next few years.

*Maricopa County Housing Cost Analysis*
Strong housing demand in Maricopa County is naturally putting upward pressure on housing costs. Third-quarter 1999 to 2000 year-over-year, housing prices increased 6.4% to a median price of $136,700. **Table 4** shows how the Phoenix metropolitan area compares to other fast growing regions of the country.

While the National Association of Realtors reports median home prices in the Phoenix area are less than the U.S. average, the Arizona Housing Commission identifies that the 1998 average new home price in the metropolitan area was actually above the national average at $147,445. In addition, the Commission also reports that fewer than 6% of new single-family homes sold for $95,000 or less, while nearly 20% sold for more than $200,000.

**Table 2**
**Largest U.S. Counties**
**By 2000 Population**

| Name | Population |
|---|---|
| Los Angeles, CA | 9,519,338 |
| Cook, Il | 5,376,741 |
| Harris, TX | 3,400,578 |
| **Maricopa, AZ** | **3,072,149** |
| Orange, CA | 2,846,289 |
| San Diego, CA | 2,813,833 |
| King, NY | 2,465,326 |
| Dade, FL | 2,044,600 |
| Queens, NY | 2,229,379 |

Source: U.S. Census Bureau

**Table 3**

**Most Active Metropolitan Statistical Areas (MSA)**

| MSA | Total Residential Permits* |
|---|---|
| Atlanta, GA | 50,340 |
| **Phoenix-Mesa** | **36,011** |
| Chicago,IL | 29,369 |
| Washington, DC | 29,173 |
| Dallas, TX | 23,689 |
| Houston, TX | 23,154 |
| Las Vega, NV | 21,240 |
| Charlotte, NC | 19,457 |
| Denver, CO | 19,389 |
| Orlando, FL | 18,921 |

*Includes both single family and multifamily permits

Source: U.S. Department of Housing and Urban Development

**Table 4**

**Housing Cost Comparison**

| Metropolitan Area | Median Home Price (thousands) | 3Q1999-3Q2000 Change |
|---|---|---|
| United States | $142.80 | 5.1 |
| **Phoenix** | **136.7** | **6.4** |
| San Diego | 272.5 | Unch |
| Dallas | 125.3 | 9.6 |
| Miami | 146.3 | 8.5 |
| Atlanta | 134.7 | 6.9 |
| Los Angeles | 220.4 | 9.9 |
| Denver | 200.2 | 14.9 |
| Tucson | 122.6 | 4.4 |
| Houston | 119 | 9.7 |
| Las Vegas | 139.8 | 6.7 |

Source: National Association of Realtors

Although housing costs continue to increase in the Phoenix metropolitan area, the impact this is having on affordability remains a debate. For example, reports from the Greater Phoenix Economic Council and the Arizona Real Estate Center show that housing affordability in the metropolitan area is at or slightly above the national average. Also, the National Association of Homebuilders reports that in the third quarter of 2000, 64.8% of the homes sold in the metropolitan area sold at a price that a median family income can buy, which is above the national average of 58.4%.

1999 vacancy rates in the Phoenix Metropolitan area are similar to trends at the state level in that housing vacancy rates are near the national average of 1.6%. A 9.2% rental vacancy rates, however, is also above the national average which, therefore, may help slow the pace of rental price increases. It is important to note though that vacancy rates vary throughout the county depending on location.

Affordability problems still do affect renters who cannot or choose not to purchase a home. However, rent prices are increasing at about the same rate as that of single family homes. From 1994 to 1998 average rents rose steadily, increasing approximately 26% in those 5 years. The result is that any assumption that renting is an affordable housing option is not necessarily correct.

While reports differ on the degree of affordability problems, it is an issue that affects Maricopa County. This conclusion is reaffirmed by a Federal Reserve Bank of San Francisco report which identifies that low-income residents in the Phoenix metropolitan area are struggling to find affordable housing. A more specific analysis of Maricopa County's affordable housing needs is found in the following section.

## Affordable Housing in Maricopa County

*Housing Problems and Income*

As previously noted, Maricopa County's sustained economic growth has escalated both housing and rental prices. This has put particular strain on lower income families whose average wages have not kept pace with housing price increases.

The Maricopa County Consolidated Plan identifies that approximately 45,500 households (7.6% of all households) in Maricopa County are classified as extremely low income (earning less than 30% of the median household income) with housing problems,[2] of which approximately 29,500 are renters. By 2004, the number of extremely low income households with housing problems is expected to increase by approximately 6,000 (13%).

Besides those households classified as extremely low income with housing problems, an additional 46,200 (7.2% of all households) are classified as very low-income (earning from 31% to 50% of the median household income) with housing problems, of which approximately 29,000 are renters. By 2004, the number of very low income households with housing problems is expected to increase by approximately 5,800 (12%).

Another category of households with housing problems are those classified as low income (earning between 51% and 80% of the median household income). Approximately 56,000 households (8.8% of all households) are in this category, of which approximately 28,000 are renters. By 2004, the number of low income households with housing problems is expected to increase by approximately 7,000 (12%).

The final category of households identified with housing problems are those classified as moderate-income (earning between 81% and 95% of the median household

[2] The Maricopa County HOME Consortium Consolidated Plan defines housing problems as having one or more of the following conditions: 1) persons and families living in units with physical defects (lack of complete kitchen or bath; 2) persons and families living in overcrowded conditions; 3) persons and families cost burdened (paying more than 30% of income for housing).

income). Approximately 18,100 households are classified as moderate income, of which approximately 5,400 are renters. By 2004, the number of moderate income households with housing problems is expected to increase by approximately 2,200 (12%).

In total, of the approximately 638,000 households in the Maricopa HOME Consortium[3] approximately 165,800 (26%) are identified as earning less than the median household income and have housing problems. By 2004, this number is expected to increase by approximately 21,000.

*Where is Affordable Housing Located?*
In August, 2000, the Morrison Institute for Public Policy at Arizona State University published a report regarding demographic characteristics in the Phoenix metropolitan area. Among the issues considered is the correlation between poverty rates and housing and rent prices. The results show that the geographic distribution of poverty is largely determined by affordable housing. In other words, geographic areas identified as high poverty are the areas most likely to contain affordable housing.

The largest cluster of poverty, and thus most likely containing affordable housing, occurs in the southern portion of the City of Phoenix. However, smaller clusters exist throughout the metropolitan area and Maricopa County. In the west valley, clusters are located near the Cities of Surprise and El Mirage, near downtown Glendale, and in certain locations near Avondale and Cashion. In the southeast valley, several clusters exist in the Town of Guadalupe, near downtown Chandler, near downtown Mesa, and in parts of the east Mesa area.

The Morrison Institute study also identifies that much of the outlying, unincorporated parts of Maricopa County also experience high poverty rates. This includes both the Fort McDowell and Gila River Indian Reservations, as well as western portions of Maricopa County.

## Issues of Affordable Housing

As has been discussed, affordable housing is an important issue that affects the social and economic stability of all communities. Its importance to Maricopa County and Arizona was even identified in a recent report from the Arizona Department of Commerce. This report identifies the widening gap between household income and housing costs as a message that affordability is a serious issue which affects all jurisdictions, neighborhoods, and businesses. In addition, the report identifies housing affordability as one of the top 10 most important issues that will affect economic development over the next 5 years.

[3] The Maricopa HOME Consortium consists of all incorporated and unincorporated communities in Maricopa County, excluding the city of Phoenix, identified as having unique and diverse community housing needs.

While the importance of affordable housing is known, many of the influencing factors are not. Some factors are beyond the control of local governments. However, there are certain areas in which public agencies may either help or hinder affordable housing. A brief discussion of these factors follows.

*Income*

Insufficient household income is one of the most significant barriers to affordable housing. Households with insufficient income may have trouble finding decent housing without any type of subsidy. The result is that families may have to either live in substandard housing, or rely on family or public shelter. The U.S. Census Bureau identifies three primary reasons why low income renters cannot afford a median priced home:

1. Lack of money or other assets for down payments and other costs
2. Insufficient income to pay mortgage payments
3. Other debts that reduce income available for housing

*Housing Demand*

Housing demand can also impact affordability through changes in both home prices and rents. Simply stated, as demand for housing increases, so too do prices and rents. As prices and rents increase, it is important for household income to increase as well to help offset rising prices and keep housing affordable.

Housing demand also increases the cost of raw land. Land costs can vary considerably depending on location, but can account for anywhere from 20% to 60% of the cost of new housing.

*Job Market*

Closely related to income is the status of a local job market. Changes in both the supply and types of jobs available can significantly affect housing affordability. For example, the Federal Reserve Bank of San Francisco reports that a major factor affecting affordability in the Phoenix metropolitan area is the increasing number of service sector jobs that do not pay the income necessary to make adequate housing affordable. This is supported by the fact that in Arizona, over ¼ of all new jobs pay at least 30% less than the overall average wage.

While low paying service sector jobs affect housing affordability, so too do good paying jobs in the technology sector. For example, the U.S. Department of Housing and Urban Development identifies that so-called 'high tech' regions tend to have high housing costs. In Silicon Valley's Santa Clara County, for instance, high tech jobs—which traditionally pay wages much greater than average—are contributing to a rapid increase in housing prices to the point where persons making $50,000 to $70,000 a year are at the local poverty level. While high tech jobs increase most people's standard of living, not all persons can be employed in these industries. As such, affordable housing is an important issue for those in other occupations.

*Interest Rates and Financing*

Interest rates and other mortgage-related costs (i.e. size of downpayment, insurance, and property taxes) can impact housing affordability. Simply put, if interest rates, property taxes, or other mortgage-related costs increase, the ability to meet housing expenses can decrease.

*Material and Labor Costs*

Typically the most expensive component of housing, construction material and labor can comprise between 50% and 55% of total housing cost. This includes such things as lumber, concrete, insulation, conduit, plumbing, roofing, windows, cabinetry, and flooring, as well as wages and benefits for workers. While material costs are generally beyond the influence of local governments, it is an important component of both single family and multifamily housing costs.

*Housing Availability*

The type of housing that is available in a given market can also affect affordability. In 1995, single family housing accounted for nearly two-thirds of the county's housing stock, one-fourth was multifamily, and less than 8% were mobile homes. However, little multifamily exists in the urban fringe areas where most unincorporated area is located. Of the units that are being built, most are being marketed toward higher income tenants. Support for this comes from a Federal Reserve Bank of San Francisco report which suggests that a majority of recently built multifamily units are priced for renter households earning more than 65% of the median household income.

*Financing*

The Federal Reserve Bank of San Francisco identifies that one of the most pressing credit needs in the Phoenix metropolitan area is financing for affordable housing, especially in rural areas considered to be high risk. Because the supply of quality, affordable rental and owner occupied housing is not keeping pace with demand, securing equity and long-term fixed rate financing for the construction and rehabilitation of affordable rental and owner occupied homes is important.

*'Not in My Backyard' (NIMBY)*

One of the most common barriers to affordable housing, NIMBY exists in almost all communities. NIMBY arises for many reasons, including the desire to maintain community characteristics, uphold property values, reduce fiscal impacts, and preserve homogeneity. With such concerns, NIMBY can deter public and private officials from addressing affordable housing needs. Moreover, NIMBY can be costly, accounting for as much as 20% to 35% of final housing costs due to time delays and so-called "Cadillac requirements."

While NIMBY can complicate affordable housing, it is usually an inevitable part of the planning process. As such, working with NIMBY in an honest, sincere, and direct manner is important.

*Exclusionary Zoning*
Exclusionary zoning is the establishment of zoning laws to exclude certain types of uses from a community. This usually means a local government may put limits on the kinds of residential uses allowed, require higher minimum lot sizes by eliminating small lot development, banning mobile homes or manufactured homes, and/or not allowing publicly subsidized housing. However, exclusionary zoning practices are becoming less prevalent because it can be legally problematic for local governments. Such practices may be challenged as a violation of the federal Fair Housing Act. In addition, numerous state courts have held that exclusionary zoning practices are not allowed.[4]

*Regulatory Barriers and Incentives*
The National Association of Homebuilders reports that complex and time consuming regulations and fees can increase the cost of a new home by as much as 10% in a typical market. Therefore, as part of an overall strategy to address affordable housing many communities are evaluating current and future codes and regulations to ensure they do not have a significant impact on designated affordable housing developments.

Many communities also use various incentives to encourage and reward affordable housing developments. Such incentives may include, but not be limited to, fee reductions, flexible development standards, and/or density bonuses. A discussion of these and other land use techniques is included later in this report.

*Other Considerations*
There are many other issues that may affect housing affordability. While too numerous to detail, a list of some of these issues, as identified by the Arizona Housing Commission and the Maricopa County Consolidated Plan, follows.

- Lack of construction subsidies
- Lack of coordinated response to problems and effective partnerships
- Lack of local government interest in affordable housing development
- Shortage of skilled workers and subcontractors
- Property assessment practices
- Credit worthiness of low income individuals
- Lack of capacity and funds for nonprofit organizations
- Lack of support services for special need groups
- Lack of public transportation

[4] Two of the most prominent cases dealing with affordable housing and exclusionary zoning are *Southern Burlington County NAACP vs. Township of Mt Laurel* (336 A.2d 713; NJ, 1975) and the accompanying case known as 'Mt. Laurel 2' (456 A.2d 390; NJ, 1983).

- Sales tax on rent
- Lack of the Tax Increment Finance option
- Rental laws and practices
- Requirements of the Davis Bacon Act
- Inconsistent guidelines for infrastructure
- Shortage of apartments in rural communities
- High utility costs in rural areas

## Opportunities for Affordable Housing

Affordable housing can be a complex issue that is affected by many or all of the issues identified earlier. Given this complexity, it is important to consider the opportunities available to encourage affordable housing. These opportunities include federal and state fund sources, as well as traditional land use techniques. It is important to note that the following is not a complete list of available funding options or land use techniques. Rather, it represents a list of some of the most frequently utilized options.

### Funding Opportunities: Federal

*National Affordable Housing Act and HOME Investment Partnerships Program:*
Passed in 1990 with the affirmed goal of assuring that every American family is able to afford a decent home in a suitable environment, the National Affordable Housing Act addresses affordable housing needs by promoting the production of low-income housing through partnerships and Community Development Block Grants (CDBGs). One of the centerpieces of the Act is the HOME Investment Partnerships Program, which provides grants to state and local governments to develop and support affordable rental and owner occupied units. Grant funds are used for a variety of affordable housing needs, including acquisition, construction, or rehabilitation of affordable housing. In fiscal year 1999, $1.6 billion was awarded to eligible entities.

To receive HOME funds, participating jurisdictions must contribute matching funds of not less than 25%. In addition to matching funds, participating jurisdictions must file an approved five-year Consolidated Plan (CP) which, among other aspects, establishes both goals and achievement strategies.

*Self-Help Homeownership Opportunity Program (SHOP)*
The SHOP program provides funds for non-profit organizations to purchase home sites and improve the infrastructure needed to establish 'sweat equity' and volunteer based homeownership programs for low income families. In fiscal year 1999, $27.5 million was made available to national and regional non-profit organizations and consortias. However, only non-profit organizations and consortias with experience in using volunteer labor to build housing are eligible for SHOP funds.

*Community Development Block Grant (CDBG)*
One of the largest sources of community improvement funding since 1974, CDBG is used in communities throughout the United States. In fiscal year 1999, approximately $3 billion was awarded to eligible communities based on specific need criteria. CDBG funds can be used for a variety of activities—including affordable housing—provided they benefit low and moderate income persons, prevent or eliminate slums or blight, and/or meet other urgent community development needs.

The U.S. Department of Housing and Urban Development also oversees a similar program of state-awarded CDBGs. When distributed, the state then awards smaller communities and rural areas with grants for revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services. The eligibility requirements for the State CDBG program are similar to those of the general CDBG program.

**Funding Opportunities: State**

*State Housing Trust Fund*
Established in 1988, the State Housing Trust Fund is designed to assist local governments and organizations in meeting the housing needs of low income families. Although similar in concept to the federal HOME Investment Partnerships Program, the Arizona Housing Trust Fund is more flexible by not establishing specific policies for use of funds, and is available for projects or programs that are not legally fundable with federal outlays.

Money from the Housing Trust Fund can be used for various purposes relating to permanent and transitional rental housing, emergency shelters, temporary housing, and/or homeownership opportunities. This includes:

- Predevelopment activities
- Acquisition and rehabilitation of existing buildings
- New construction
- Home purchase assistance
- Owner-occupied housing rehabilitation and emergency repair programs
- Tenant-based rental assistance programs
- Community housing plans
- Fair housing education programs

While Trust Fund money is available to local governments, including Maricopa County, a majority of the funds are specifically designated for use in rural areas of Arizona. For Maricopa County, this includes census county divisions with less than 50,000 people.

*Low Income Housing Tax Credit Program*
Administered by the Arizona Department of Commerce, the Low Income Housing Tax Credit provides a dollar-for-dollar credit against federal income tax liability for the

owners and developers of qualified affordable residential rental projects. The program is designed to create a funding source to help produce affordable housing in return for an agreement to use price ceilings for a specified period of time. A basic formula determines the amount of money available for particular projects.

To qualify for this program, an applicant or project must meet several criteria:

- A building must be part of a low income housing development
- The owner must rent at least 20% of a development's units to households with incomes at or below 50% of the median area income for that household size, or rent at least 40% of the units to households with incomes at or below 60% of the median area income
- Restrict for a period of up to 40 years the annual rent and utilities charged for the low-income units to a maximum of 30% to 60% of the median area income.

**Other Funding Opportunities**

*Industrial Development Authority (IDA)*

Authorized under state law, an Industrial Development Authority provides financial assistance for various purposes, including affordable housing. An Industrial Development Authority, including the Maricopa County Industrial Development Authority, can help affordable housing in several respects. IDAs are allowed to make loans to banks and similar financial institutions, who then make loans to finance the acquisition, construction, improvement, or equipping owner-occupied single family or multifamily residential units that are provided for low and moderate income persons. An IDA can also purchase secured loans or loan interest from banks or similar financial institutions to finance the acquisition, construction, improvement or equipping of low income, owner-occupied single family or multifamily residential units. In addition, IDAs can make loans to residential property owners and banks or similar financial institutions for the repair or improvement of property related to residential or neighborhood improvement. However, prior to issuing bonds to carry out these purposes the local governing body[5] must approve a general plan that, among other items, addresses the amount, terms, and need for the bonds.

**Land Use Techniques**

*Upzoning*

Zoning ordinances regulate such matters as density, lot sizes, setbacks, frontage requirements, and legally entitled uses. Zoning can have an impact on land values which, in turn, affects housing costs. As such, reducing land costs through increased density can be an important factor in achieving housing affordability.

[5] In Maricopa County, this refers to the Maricopa County Board of Supervisors

Upzoning, which is the process of rezoning residential land to allow greater density, can increase affordability by reducing land and site development costs by spreading costs over a greater number of units, thus reducing the purchase price for homes and rents for apartments. Upzoning specific residential areas can also generate other potential benefits, such as reduced infrastructure costs (reducing costs to both developers and taxpayers) and preserving open space by reducing the amount of land needed for residential development.

While higher density can be an important tool in promoting housing affordability, several policy issues should be considered. First, higher density residential development can generate community opposition due to concerns about development scale, increased congestion, impact on nearby property values, and the perception that persons living in higher density housing do not fit with existing lifestyles. Based on these concerns, attention to development design to ensure aesthetic appeal and the blending with surrounding areas is an important consideration.

*Inclusionary Zoning*
Inclusionary zoning is a technique whereby a certain portion of residential units in new housing developments is set aside to be affordable for low and moderate income home buyers. This zoning technique can be applied to both owner occupied single family homes and multifamily rental units. Such ordinances can be either mandatory or voluntarily based incentive programs.

Although inclusionary zoning can be a flexible technique designed around community needs, several policy issues should be considered. First, if mandatory set-asides are required without the use of incentives, the total number of set asides should be carefully considered to ensure cost effectiveness on the part of developers. Second, when affordable housing units are built a management system should be established to ensure that those units remain affordable. Finally, some governments choose to provide the option of paying into a dedicated affordable housing fund rather than requiring the construction of affordable units.

*Incentive Programs*
Many communities use incentive programs either as supplements to inclusionary zoning, or as stand alone programs. Incentive programs can be a flexible option since they can be adapted to meet individual community needs.

One of the most common incentive programs used are density bonuses, whereby developers are allowed to build more units within a specific project than would otherwise be normally accepted, in exchange for the inclusion of affordable units. Additional units increase the overall value of a development, thus helping make affordable units more economically viable.

While density bonuses can be a useful tool, careful consideration should be given to the level of additional density allowed versus the number of affordable units required. Also, density bonuses are generally more appropriate for large subdivisions and master planned communities. Finally, knowledge of the local real estate market is important to ensure that density bonuses are adequate to meet market demand.

Another incentive used by local governments is waiving or reducing permitting and other associated fees on designated affordable housing projects. Fee exemptions or reductions can help make affordable housing more cost efficient, and can be used with or without other incentive programs. However, it is important to have a thorough understanding of any existing fee structure to determine where reductions and/or waivers are feasible and prudent.

Still another incentive program is adjusting traditional zoning and subdivision regulations in exchange for developing affordable housing. Such waivers include allowing flexibility for lot setbacks, widths, area, coverage, and/or distance between structures, as well as adjusting site improvement standards. However, flexible zoning and subdivision techniques can confront opposition from the general community, so attention to design and compatibility with surrounding areas is an important consideration.

*Other Planning Techniques*
In addition to those methods described earlier, local governments also use other ways to encourage affordable housing. Some of these include:

- Flexible siting for manufactured housing communities.
- Flexible siting for mobile home parks.
- Allowing the use of accessory units (commonly referred to as 'mother-in-law apartments') on single-family lots.
- Allowing clustering of homes to help reduce infrastructure and site improvement costs, thus reducing home costs.
- Mixed use zoning to allow for the placement of housing near commercial and employment opportunities (an important consideration for low and moderate income residents). Mixed use zoning also allows governments to offer floor area ratio (FAR) bonuses for the commercial and office components of projects.
- Development agreements whereby a local government and private developer negotiate for the development of affordable housing in individual projects.

Using any of these techniques requires careful attention to design and aesthetic considerations to help secure public support. Also, regardless of which techniques are used it is important to consider two public policy issues. First, while building affordable housing is important, it is just as essential to ensure that this housing remains affordable for an extended period of time. Second, developing and implementing affordable housing strategies requires participation and support from all stakeholders, including the public, private, and non-profit sectors, as well as communities and individual citizens.

### Goals, objectives, policies

This section identifies comprehensive goals, objectives, and policies to address affordable housing in Maricopa County. These goals, objectives, and policies help support and implement *Eye to the Future 2020*, the Maricopa County Plan, and were derived from the numerous stakeholders that provided information and recommendations.

To help understand the intent of these items, the following definitions are provided:

**Goal:** A concise statement describing a condition to be achieved. It does not suggest specific actions, but describes a desired outcome.

**Objective:** An achievable step towards a goal. Progress towards an objective can be measured and is generally time dependent.

**Policy:** A specific statement to guide public and private decision-making. It is derived from the goals and objectives of the plan.

The goals, objectives, and policies are the action component for addressing affordable housing in Eye to the Future 2020. Therefore, land use decisions should be made in coordination with the goals, objectives, and policies contained in this section.

Goal 1: *Ensure the availability of safe and sanitary affordable housing for all residents of unincorporated Maricopa County, especially those with very low, low, and moderate incomes.*

**Objective H1**: Support and encourage efforts by public, private, and non-profit agencies to establish affordable housing programs.

Policy H1.1: Evaluate the use of market incentives to make affordable housing more cost effective, while assuring target units remain affordable for specified periods of time.

Policy H1.2: Meet periodically with public, private, and non-profit sector participants to evaluate affordable housing opportunities, and identify strategies to increase affordable housing options.

Policy H1.3: Encourage partnerships and ongoing communication with public and private lending institutions to identify ways to reduce financing costs for both builders and consumers.

Policy H1.4: Encourage the construction of an adequate supply of rental housing units that meets the needs of very low, low, and moderate income residents.

Policy H1.5: Support and provide assistance to other Maricopa County departments in the pursuit of federal and state monies directed at affordable housing.

Policy H1.6: Support efforts of the Maricopa County Industrial Development Authority to provide affordable housing opportunities.

**Objective H2**: Promote zoning, subdivision, and land use regulations that accommodate affordable housing.

Policy H2.1: Establish a periodic review of zoning and subdivision regulations to evaluate potential impacts on affordable housing efforts, and mitigate potential deterrents if warranted.

Policy H2.2: Encourage mixed use developments that provide affordable housing proximate to employment and commercial uses, and that physically integrate, rather than isolate, very low, low, and moderate income citizens from other sectors of a community.

Policy H2.3: Encourage transit options in new communities in conjunction with affordable housing.

Policy H2.4: Encourage flexible design criteria specifically for affordable housing developments.

Policy H2.5: Support the use of manufactured housing in planned communities where appropriate.

Policy H2.6: Evaluate new development to determine whether affordable housing needs are being met by individual developments, and the unincorporated county as a whole.

Policy H2.7: Evaluate the feasibility of alternative zoning techniques to encourage affordable housing.

Policy H2.8: Review adopted land use categories to determine if additional categories are necessary to increase affordable housing options.

Policy H2.9: Periodically monitor affordable housing programs in other communities, and report findings to the Planning and Zoning Commission.

**Objective H3**: Promote community participation in affordable housing decisions.

Policy H3.1: Encourage public input in the design of affordable housing.

Policy H3.2: Encourage efforts to educate citizens about the social and economic importance of affordable housing.

**Objective H4**: Support the rehabilitation of substandard and existing housing units to help ensure safe and sanitary affordable housing.

Policy H4.1: Continue to monitor and enforce zoning and housing codes that assure safe and sanitary conditions for both tenants and community residents.

Policy H4.2: Support code enforcement of safety, aesthetic, and design requirements.

Policy H4.3: Provide assistance to low-income communities to encourage and maintain beautification efforts, and generate a sense of community pride.

Policy H4.4: Encourage the use of energy efficient and water conserving reconstruction techniques to help reduce occupant utility costs, and thus help maintain affordability.

Policy H4.5: Encourage and support efforts to maintain housing affordability for extended periods of time.

## Agenda for Action

This Agenda for Action identifies both long and short term measures that can help implement the goals, objectives, and policies set forth. While some activities require actions for a specific period of time, most require ongoing efforts. In addition, successful implementation will require close cooperation, coordination, and communication between public, private, and non-profit agencies, as well as citizens and other affected interests. Each of these groups will play an important role in plan success, and Maricopa County encourages their continuing participation.

**Table 5**
**Agenda for Action**

| Action | Description | Plan Element | Participants | Timeline: 5 years | | | | |
|---|---|---|---|---|---|---|---|---|
| ffordable Housing ncentives | Identify & analyze opportunities for marked based affordable housing incentives | Land Use | Maricopa County Public Agencies Private Organizations Non Profit Groups | | | | | |
| ng/Subdivision/Land se Regulation Review | Review regulations to identify possible impacts on affordable housing efforts, and mitigate potential deterrents if warranted | Land Use | Maricopa County Public Agencies Private Organizations | | | | | |
| takeholder Coordination | Meet regularly with stakeholders to identify and evaluate possible affordable housing strategies | Land Use | Maricopa County Public Agencies Private Organizations Non Profit Groups | | | | | |

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